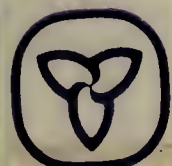


The Ontario Economy Strength and Diversity



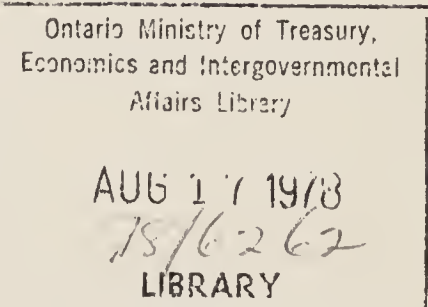
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Ministry of Finance, Treasury, Economics and Intergovernmental Affairs

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THE ONTARIO ECONOMY - STRENGTH AND DIVERSITY

A Paper Prepared
for the
Members of the Tour of U.S. Investors
June, 1973



Ministry of Treasury, Economics
and Intergovernmental Affairs ✓

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THE ONTARIO ECONOMY - STRENGTH AND DIVERSITY

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PREFACE

The Ontario economy displays strength and diversity which make it a world leader. This paper, a companion document to "Overview of Ontario Finances", compares the economic record and structure of Ontario with many leading industrial nations and certain adjacent U.S. states. I think the facts speak for themselves.

The Honourable John White,
Treasurer of Ontario and
Minister of Economics and
Intergovernmental Affairs

June, 1973

SUMMARY

- . Ontario is Canada's wealthiest province with 36 per cent of the Canadian population, 39 per cent of total employment in Canada and over 40 per cent of the Gross National Product.
- . After taking into account population size, the Ontario economy is one of the most productive in the world, ranking second only to the United States in terms of income levels, and second to Japan in terms of growth.
- . Ontario has a personal per capita income level greater than thirty states in the American Union.
- . The Ontario economy is more diversified than the States of Michigan and New York, providing a broad base for continued growth and stability.
- . Continued strong growth is forecast for the Ontario economy in the foreseeable future.

THE ONTARIO ECONOMY - STRENGTH AND DIVERSITY

Introduction

Ontario is Canada's wealthiest province. With a population of 7.8 million in 1972, Ontario accounts for 36 per cent of the Canadian population, 39 per cent of total employment in Canada and over 40 per cent of the Gross National Product. Ontario has abundant natural resources, a rapidly growing and highly skilled labour force, well-developed financial institutions, and extensive industrial diversification.

Table 1

REGIONAL BREAKDOWN OF
POPULATION, EMPLOYMENT AND GNP
IN CANADA, 1972

(percentage distribution)

	<u>Population</u> %	<u>GNP</u> %	<u>Employment</u> %
ONTARIO	35.8	40.9	38.6
Quebec	27.8	24.8	26.7
Prairie Region	16.3	15.9	16.5
British Columbia	10.6	11.7	10.6
Atlantic Region	9.5	6.7	7.6
CANADA	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: Statistics Canada, Estimated Population of Canada by Provinces;
Statistics Canada, The Labour Force, and Ontario Treasury estimates.

International Comparison

After taking into account population size, the Ontario economy is one of the most productive in the world ranking second only to the United States in terms of income levels, and second to Japan in terms of growth. The total output of the Ontario economy exceeds that of Belgium or Austria, is about the same as that of Sweden and close to that of Spain and the Netherlands. The population of the Province compares in size with Sweden (8.1 million), and the States of Michigan (9.1 million), New Jersey (7.4 million) and Florida (7.2 million). In per capita income terms, Ontario, with a national income per capita of \$4,869, ranks second in the world behind the United States.

Table 2

NATIONAL INCOME IN ONTARIO AND SELECTED COUNTRIES, 1972

<u>National Income</u> (Billions U.S.\$)		<u>National Income</u> <u>Per Capita</u> (U.S.\$)	
Netherlands	42.2	United States	4,953
Spain	41.2	ONTARIO	4,869
Sweden	38.8	Sweden	4,778
ONTARIO	38.1	Canada	4,256
Belgium	32.7	West Germany	3,901
Denmark	18.5	Denmark	3,707
Austria	17.8	France	3,440

Source: Based on United Nations, Monthly Bulletin of Statistics, May 1973; other published national data and Ontario Treasury estimates.

In 1972, the Province's per capita personal income of \$4,398 was 16 per cent above the Canadian average and only slightly below the average in the United States (\$4,478). In fact, Ontario has a higher per capita personal income than thirty U.S. states.

Ontario's Growth Record

In addition to having an enviable level of per capita income, the Province has an impressive economic record. Over the 1962-71 period, the rate of real economic growth in Ontario averaged 5.9 per cent per year. This places the Province in second place, behind Japan, in terms of economic expansion. A key factor in Ontario's economic performance is the rapid growth in labour force and employment which greatly exceeds that of the United States and the European Economic Community.

Table 3

LABOUR FORCE, EMPLOYMENT
AND ECONOMIC GROWTH IN
ONTARIO AND SELECTED COUNTRIES, 1962-71
(average annual growth rates)

	<u>Labour Force</u>	<u>Employment</u>	<u>Real GNP</u>
	%	%	%
ONTARIO	3.3	3.2	5.9
Canada	3.0	2.8	5.3
United States	1.9	1.9	3.9
Japan	1.3	1.3	10.6
France	1.1	1.0	5.8
West Germany	0.1	0.1	4.6

Source: Federal Reserve Bank of St. Louis, Rates of Change in Economic Data for Ten Industrial Countries, August 1971 and February 1973; International Labour Office, Yearbook of Labour Statistics 1972; Statistics Canada, The Labour Force, and Ontario Treasury.

The Ontario labour force is projected to grow at a rapid rate of more than 3 per cent per annum over at least the next five years, with a relatively more rapid increase in the productive primary labour force. The rate of growth of the Provincial economy is expected to remain internationally competitive over the period.

The Structure of the Ontario Economy

Manufacturing and secondary services provide employment for over half of the Ontario labour force, but other industries share substantially in the Province's employment picture, e.g. trade (15 per cent); public administration (6 per cent); finance and insurance (5 per cent); and agriculture (4 per cent). Ontario is the dominant manufacturing province in Canada, with 40 per cent of all manufacturing establishments, 49 per cent of manufacturing employment and 52 per cent of the value of all manufacturing shipments.

The Ontario economy, rather than leaning too heavily on a few industries, exhibits considerable industrial diversification. In comparison to New York and Michigan, to which Ontario is equivalent in industrial sophistication, the Province's employment is spread more evenly over the primary, manufacturing, and tertiary sectors of the economy. The three largest industrial sectors in Ontario account for 74 per cent of industrial employment. For Michigan and New York, the shares are 85 per cent and 76 per cent respectively.

Table 4

INDUSTRIAL EMPLOYMENT
ONTARIO, MICHIGAN AND NEW YORK, 1972
(percentage of total industrial employment)

<u>Sector</u>	<u>Ontario</u> %	<u>Michigan</u> %	<u>New York</u> %
Manufacturing	30.2	43.5	29.1
Trade	16.1	24.7	25.0
Services	<u>27.8</u>	<u>16.2</u>	<u>22.0</u>
All three sectors	<u>74.1</u>	<u>84.5</u>	<u>76.1</u>

Source: Statistics Canada, Estimates of Employees by Province and Industry, 1971; U.S. Department of Commerce, County Business Patterns, 1971.

The Ontario economy exhibits still greater diversity within industrial sectors. The largest manufacturing industry, transportation, provided 12 per cent of employment in Ontario in 1969 (latest figures available). In the neighbouring states of Michigan and New York, the comparative figures in 1971 are 32 and 16 per cent respectively. In all, the four leading manufacturing industries absorbed 42 per cent of manufacturing employment in Ontario, compared with 47 and 67 per cent respectively in New York and Michigan. Many of Ontario's manufacturing plants are located near Highway 401, the transportation backbone running from Windsor to the Quebec border.

Table 5

MAJOR MANUFACTURING INDUSTRIES
ONTARIO, MICHIGAN AND NEW YORK
 (percentage of total manufacturing employment)

<u>ONTARIO</u> 1969		<u>MICHIGAN</u> 1971		<u>NEW YORK</u> 1971	
Transportation	12.1	Transportation	31.5	Textile and Clothing	16.1
Food Industries	10.4	Machinery	13.6	Printing and Publ.	11.2
Metal Fab.	9.9	Metal Fab.	12.6	Electrical	10.8
Electrical Ind.	<u>9.7</u>	Primary Metals	<u>9.6</u>	Machinery	<u>8.8</u>
Total	<u>42.1%</u>	Total	<u>67.3%</u>	Total	<u>46.9%</u>

Source: Statistics Canada, 1969 Census of Manufacturers; U.S. Department of Commerce, Annual Survey of Manufacturers - 1971.

The broad base of the Ontario economy, in particular its diversified manufacturing sector and modern services sector, provides a strong foundation for continued growth and stability.

Energy

Because electricity supplies a large part of the Province's energy requirements, Ontario is less dependent upon fossil fuels than many comparable manufacturing-oriented economies. Natural geographic advantages have been fully exploited so that hydro power accounts for 51 per cent of the Province's capacity, fossil fuels 40 per cent, and nuclear fission 9 per cent. This balance of energy sources is to Ontario's advantage in the face of a growing energy shortage.

Table 6

ELECTRICITY GENERATING CAPACITY
BY SOURCE OF PRIMARY POWER
ONTARIO AND THE UNITED STATES, 1971

<u>Installed Capacity</u>	<u>Ontario</u>	<u>New York</u>	<u>Michigan</u>	<u>U.S.</u>
Electricity in 1,000 kilowatts	14,993	23,226	12,187	367,397
Hydro	50.7%	17.1%	2.8%	15.2%
Nuclear	9.0%	6.2%	0.6%	2.4%
Fossil fuels	40.3%	76.8%	96.6%	82.4%
Kilowatts per 100 population	195.0	126.5	137.0	178.1

Source: Statistics Canada, Electric Power Statistics, Vol. II, 1971, and U.S. Department of the Interior, United States Energy Fact Sheets, 1971.

By the end of 1971, total generating capacity of electricity generating establishments in Ontario totalled 15 million kilowatts or 195 kilowatts per 100 population. This compares favourably with Michigan with 12.2 million kilowatts (or 137 kw per 100 population) and New York with 23.3 million kilowatts (126.5 kw per 100 population). Total capacity for the U.S. amounted to 367.4 million kilowatts or 178 kilowatts per 100 population.

Effective Local Government

In addition to developing a diversified economic base, Ontario is building a modern structure of effective local governments. Within its extensive geographic area, Ontario has ten of the twenty largest urban centres in Canada. Regional governments have been or are being established around these urban growth points to ensure efficient local services and progressive urban planning. When the regional government program is completed, it will include all of Ontario's industrial heartland - the "Golden Horseshoe" stretching from Niagara Falls to Oshawa - and provide vital support to the social as well as the economic development of the Province.

Metropolitan Centres in Ontario

Population in 1971

Hamilton	498,523	Thunder Bay	112,093
Kitchener	226,846	Toronto	2,628,043
London	286,011	Windsor	258,643
Mississauga	156,070	Ottawa	453,280
St. Catharines	303,429	Sudbury	155,424

Source: Statistics Canada, Census of Canada, 1971

Ontario Economic Outlook

The Ontario economy is recovering strongly from the general economic slowdown experienced by most countries in 1970 and 1971. Consumer spending and residential construction have so far been the leaders in the resurgence of growth, but investment in machinery and equipment and non-residential construction are now showing considerable strength. On the income side, personal income and corporate profits are experiencing very strong growth.

The rate of increase in real Gross Provincial Product is expected to be at least 6.5 per cent in 1973. This pace of activity is sufficiently above the long-run potential rate of growth of the provincial economy to ensure that idle resources are quickly put into production.

Table 7

THE ONTARIO ECONOMY, 1971-73

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>71/70</u>	<u>72/71</u>	<u>73/72</u>
	(\$ billion)			(per cent)		
Gross Provincial Product	38.0	42.1	47.1	8.8	10.8	11.8
GPP (constant 1961 dollars)	27.6	29.2	31.1	5.3	6.0	6.5
Private and Public Investment	7.5	8.2	9.4	7.7	10.5	14.5
Machinery and Equipment	2.8	3.0	3.5	-0.1	7.2	17.0
Total Construction	4.7	5.2	5.9	13.0	12.5	13.2
Non-residential	3.0	3.2	3.6	6.3	6.2	12.5
Residential	1.6	2.0	2.3	27.6	24.2	14.5
Retail Sales	11.9	13.0	14.4	9.1	9.6	11.0
Merchandise Exports	8.1	9.0	10.1	7.5	11.0	12.0
Personal Income	30.6	34.4	38.7	9.6	12.2	12.6
Corporate Profits (before taxes)	3.8	4.3	5.0	10.5	15.0	15.0
Labour Force (000's)	3,249	3,381	3,510	3.8	4.1	3.8
Employment (000's)	3,079	3,219	3,356	2.8	4.5	4.3
Unemployment Rate (%)	5.2	4.8	4.4	-	-	-
Housing Starts (thousands of units)	90.0	102.9	113.2	17.4	14.4	10.0

Source: Ontario Treasury.

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